

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

EC 7A9

APRIL 1968

Vol. 52, No. 4

Statistical Reporting Service
U.S. Department of Agriculture

Agricultural Situation

Broiler Contract terms of payment

WHERE
IS THE
PROFIT?

THE CASE OF THE SUBLT DRUMSTICK

Most broilers are grown under contract. How do farmers fare under such arrangements? A recent study gives some indications.

With the integration of many stages of poultry production since World War II, many poultry farmers have become contract producers. The change has brought a new form of income—the contract payment—in place of cash sales for these farmers.

The Economic Research Service studied several types of contracts currently in use for broilers, which are widely grown under contract.

The purpose was to determine how returns under independent farming differ from contract farming under similar market and cost conditions, and how changes in these conditions affect the income likely under both systems.

Because of the many different kinds of contracts used by broiler firms in different areas of the country, the income of broiler operations varies widely, even under similar cost and price conditions. And the income picture may

vary on each farm as broilers are sold and new lots are started.

As a result, the ERS comparisons of costs and returns can only illustrate the differences between growing arrangements. They don't necessarily represent typical or average income situations.

The size, efficiency, and annual cost of producing broilers were simulated on paper for an imaginary broiler operation. This model was used under the different contract and production conditions to compare returns.

The model assumes a broiler farmer with above-average management ability and efficiency who:

- Grows five lots of 20,000 chickens per year.

- Produces 334,425 pounds of live weight broiling chickens after plant inspection and condemnation.

- Feeds 2.3 pounds of feed for each pound of live broiler produced. This is his feed conversion efficiency rate, a critical factor in many payment plans.

The annual cost of the operation simulated by the model varied from about \$3,300 under one contract to \$51,200 for the independent grower, who must pay all expenses. (For the details, see "Broiler Farm Budget" on p. 4.)

Now consider the simulated returns for such an operation under varying cost and price conditions, when the farmer grows independently and when he is producing under three types of broiler contract.

INDEPENDENT HAS LARGEST POTENTIAL FOR PROFIT, LOSS

The independent's profit (his returns to labor and management) depends directly on changing feed and broiler prices. He is most vulnerable to changing conditions, but also can profit the most under favorable conditions.

With feed conversion efficiency at 2.3, assume that: (1) his market price per pound of broiler varies from 13 to 17 cents and (2) the cost of feed ranges between \$75 and \$95 per ton.

A maximum profit, \$9,697, is realized

when broilers sell for 17 cents per pound, feed for \$75 per ton. The maximum loss, \$11,686, occurs when prices for broilers and feed are at their opposite extremes. No profit is realized until broiler prices reach 15 cents per pound, even when feed is at its cheapest level.

Under these conditions, each \$5 change in the price of a ton of feed results in a \$2,002 change in returns to the independent grower.

Changing the feeding efficiency can sharply alter the profit picture. When feed is \$80 per ton and broilers sell for 15 cents per pound, profit drops from \$2,400 for a rate of 2.2, to \$1,008 for 2.3, to a loss of \$343 when 2.4 pounds of feed are consumed for each pound of broiler marketed.

I. CONTRACT PAYS PREMIUM BASED ON FEED CONVERSION RATE

The contract evaluated in this group pays the grower 1 cent per pound of broiler passing condemnation and plant inspection, plus $\frac{1}{4}$ cent per pound for each tenth of a pound improvement in feed efficiency below the rate of 2.6. For example, the grower gets 1 cent

per pound when the rate is 2.6, and 1 $\frac{1}{4}$ cents when it is 2.5.

The net return for labor and management in the example was \$459 for a rate of 2.4, \$1,295 for 2.3, and \$2,132 for 2.2.

This contract rewards the most efficient growers—when efficiency is measured by feed conversion. They are not penalized by price fluctuations. But at a feed conversion rate of 2.3, returns were lowest of all contracts in the study, and were higher than returns to the independent farmer only in certain combinations of high feed or low broiler prices.

II. GROWER GETS LUMP PAYMENT PLUS A SHARE OF THE PROFITS

The grower gets a lump payment for every 1,000 chickens started. This payment is adjusted up or down depending on the efficiency of the grower, but the assured minimum is \$50 per thousand birds. In addition, all profit from the sale of broilers, above costs of inputs and producer payments, is divided equally between the firm and the producer.

Efficiency is measured against the average production cost per pound for all growers contracting with the firm. This includes the cost of all items supplied by the firm to one producer, and includes chicks, feed, and other inputs. It is updated every 2 weeks.

For every one-hundredth of a cent per pound the individual grower's cost

exceeds the average, he loses 20 cents per thousand chickens (or \$4 per lot of 20,000). And he gets 20 cents more per thousand for each increment he reduces his cost below the current average.

This contract provided the highest returns of those studied. The independent's returns were higher only under certain conditions of favorable broiler prices and feed costs.

When broilers sell for 15 cents per pound and feeds cost the contract grower \$85 per ton, the return for 100,000 broilers is \$4,815. This is when the grower's feed conversion ratio is 2.3. At these prices, as the ratio changes in one direction by 0.1, the profit changes in the other by \$860.

With broiler prices in the 13-15 cent range, returns were \$4,795 at the relatively low feed price of \$80 per ton. When broiler prices are 16-17 cents per pound, however, returns increase to \$5,210 and \$6,882, respectively, due to the sharing of profit between the company and producer as the price became greater than the cost of production and the guaranteed payment.

III. PREMIUM DEPENDS ON GROWER'S COST

The grower gets 2 cents per pound for live poultry passing inspection, plus or minus the difference between the average cost per pound of inputs supplied by the company to him, and the average cost for all growers contract-

ing with the company. Minimum payment is 1.5 cents per pound.

This was the second most profitable contract in the study. It does not fluctuate in returns to growers as broiler prices change. With a 2.3 conversion rate, returns vary between \$3,794 and \$3,991, depending on the cost of feed. A change of 0.1 in the feed conversion rate caused returns on 100,000 broilers to change by \$1,450, when feed cost contractors \$85 per ton.

BROILER FARM BUDGET LEAVES LITTLE ROOM FOR WASTE

The margin of profit in the broiler business is decidedly slim. Depending on the production arrangement, a production cost increase of a few hundredths of a cent per pound of broiler can wipe out the profits.

Costs of running a broiler farm can be considered in two categories. Major expenses include chicks and feed, and can run into thousands of dollars per year, depending on the size of enterprise. Then there are a number of "minor" costs which must be kept trim to keep the total annual expense below gross income.

The cost of each of these categories is highly variable. The geographical region, the season, and the methods of the individual farmer can cause them to change. USDA economists setting out to simulate the returns of broiler farms operating under contract were aware of such cost variations. But they needed one cost budget to work with, so they built one based on national averages.

The following averages give a general picture of the annual expenses in bringing 100,000 broilers to market.

—Plant—\$2,650 a year is needed to cover taxes, interest, depreciation, and repairs on farm plant and equipment.

—Minor costs—Figured to total about \$3,250 for the grower, the costs of medication, insurance against broiler losses and finance charges were covered by all the contracts studied. In addition, four out of five of the contracts under study paid for heat (\$716) and one even paid for litter (\$616).

—Chicks—Assumed cost was 10 cents each. Birds enough for 1 year, or 100,000 in the analysis, cost \$10,000.

—Feed—This is often the most critical expense in growing broilers. At a rate of 2.3 pounds of feed consumed per pound of broiler marketed, the broilers in the example eat nearly 400 tons of feed. At \$85 per ton, the independent grower spends over \$33,000 for feed—the bulk of his total costs.

Even slight increases in the feed conversion ratio or the price per ton can send profit down the drain.

Here is the schedule of a year's costs under several arrangements for growing 100,000 broilers:

Independent grower. With feed at \$85 per ton, costs for the year amount to \$51,200.

Contract growers. When contractor pays for all costs except buildings, equipment and electricity: \$3,225. When contractor pays for litter but not heat or electricity: \$3,940. When contractor does not cover heat, litter or electricity: \$4,557.

BROILER CROP MEASURED

It takes about 8 weeks for a chicken to proceed from hatchery to "broiler factory" to your dinner table.

Such a rapid turnover means producers need good data to base judgments upon. SRS supplies the data.

Producers in the 22 States where SRS makes a weekly survey of broiler-chick placements account for 97 percent of U.S. broiler production.

Last year 2.5 billion broilers were raised commercially in these States—1 percent more than the year-earlier record.

Production totaled 8.85 billion pounds, 208 million more than in 1966. In both 1966 and 1967, broilers weighed an average of 3.5 pounds when sold.

Tops in output in 1967, as in the year before, were three southern States: Georgia, producing 1.56 billion pounds, Arkansas, with 1.21 billion, and Alabama, with 1.14 billion.

The average price to producers was lower in all States last year. At 13.2 cents per pound, the 22-State average price was 2 cents less than in 1966. The 1967 gross income from broilers in these States declined from \$1.31 billion to \$1.17 billion.

Statistical Reporting Service

SRS Cooperation Extends From The States . . .

Reporting on the crop and livestock products of 50 States is a big job. But the Statistical Reporting Service has the help of the 47 States which share the workload by providing money, personnel, and equipment. Their contributions are used in SRS field offices around the country.

The States work with SRS under an arrangement called the Federal-State cooperative agreement. The agreement provides a considerable volume of data useful for State needs which would not be collected or made available from Federal funds.

The work involved in collecting and publishing the information for State and Nation is voluminous and growing. In the year ended June 30, 1967, the 44 State statisticians' offices:

—Mailed out an average of 414 different surveys per office, 17 more than the preceding year's average;

—Distributed 9.2 million questionnaires and tabulated 2.8 million returns;

—And sent enumerators on 232,000 visits for interviews or objective yield counts. This was an increase of one-third from the prior year.

The work resulted in the issuance of many different statistical reports during the fiscal year, from the State offices and from Washington. The reports were widely used; distribution totaled 16.3 million copies.

... To a Remote Land

Crop reporting in the Himalayan kingdom of Nepal? It's not impossible, only difficult, according to an expert who went there to help.

Actually, minimal reporting of crops has been made in Nepal, and one census of agriculture was taken in 1962 for use as a data check.

To get help in setting up a reliable crop reporting system, Nepal's Ministry of Agriculture asked USDA to send one of its leading statisticians. Bruce Kelly of the Statistical Reporting Service filled the bill.

He says that Nepal, despite some prior

work in crop reporting, still has plenty of problems to cope with.

A serious problem is the mountainous terrain; another is the long cold season. Both combine to frustrate personal interviewing by enumerators. Add to these the natural conservatisms of the farm population, customs running counter to scientific reporting, and the basic toughness of life in the region. The result is a complex barrier to reporting.

But, one wonders, why are crop reports needed in such a forbidding land? To help plan the food production for 10 million Nepalese, at least 95 percent of whom are farmers.

The Nepalese raise all their own food, although two-thirds of the country lies in rugged mountains. Much of the population lives in places rarely less than 13,000 feet above sea level. The highest known mountains are in that region, which supports only the hardiest vegetation and man. Animals not only are scarce but prohibitive as a food because most Nepalese are vegetarians.

The southern third of the Oklahoma-sized country lies in the Indian Plain. There, after the monsoon season, farmers raise most of Nepal's rice and much of the other food—enough to feed two-thirds of the total population. The rest comes from the northern reaches.

Even in the mountains, terraced farms flourish in the short Himalayan summer. Some of the terraces are so steep—and so narrow—that only one crop row can be planted per terrace.

According to statistician Kelly, who scanned the terrain by plane and studied the crop reporting problems, Nepal's greatest need is to set up sampling techniques—direct measurement of small plots to indicate areas planted, yield, and production—rather than to rely on time-consuming interviewing methods.

The problem is thus focused more on the seemingly simple act of data collection than on analysis.

Economists have no difficulty setting up methods of analysis. And sampling can be aided, as in Nepal's 1962 agricultural census, by aerial photography. Data processing is not a problem, either. India, Nepal's neighbor, has offered electronic processing facilities.

AG OUTLOOK



Based on information Available April 1, 1968

COTTON USE PRODUCTS

U.S. cotton mills will be using less cotton this year than in 1966/67. For the year ending August 1, mill consumption is forecast at slightly over 9.1 million bales, about 300,000 less than in the preceding period. A number of factors have been at work to reduce consumption at the mills: working down of existing cloth stocks, lagging orders, and a slimmer margin between the price of raw cotton and finished cloth. Military demand has slackened and competition from man-made fibers continues strong.

Smaller exports of cotton this marketing year are also likely. Expanded cotton production abroad and higher world cotton prices place our exports in a trade position less favorable than last year. Even so, exports are likely to total 450,000 bales less than the 4.7 million bales exported last season.

LESS FLUE-CURED LIKELY

Growers intend to plant 11 percent fewer acres of flue-cured, the leading American tobacco. If the trend in average yields per acre prevails, production this year may be about 15 percent below 1967, and the supply for 1968/69 likely will total about 4 percent below the current marketing year.

Intended acreage of burley, the second ranking kind, is about the same as last year. But production last year was the lowest since 1960, partly due to an unusually low average yield per acre. If yields this year return to the recent trend average, the crop could be about 9 percent larger than last year's marketings.

The total supply of burley for next season, however, would not change much from 1967/68, since the indicated carryover this year will likely be down by 5 percent from 1967.

OUTLOOK SPECIAL: PROSPECTIVE PLANTINGS

The annual planting intentions report, based on March 1 indications, shows a total of 251 million acres intended for planting to the 17 crops included in the survey. According to the Crop Reporting Board, this is about 2 percent below last year's planted acreage.

FEED GRAINS DOWN 6 PERCENT

Total feed grain acreage intended is down 6 percent to 113.4 million acres, reflecting increased acreage diversion under the feed grain program this season. The intended corn acreage decreased 8 percent to 64.9 million; and the intended acreage of sorghums dropped 12 percent to 17 million acres. Planting intentions for oats and barley each were up 3 percent, however.

FOOD GRAIN ACREAGE ALSO LOWER

Intended plantings of both rice and durum wheat are up one-fifth from 1967, bringing the area in rice up to 2.4 million acres and durum wheat to 3.4 million. Other spring wheat totals 9.5 million acres, 12 percent below 1967; all wheat totals 62.7 million acres, down 8 percent. With 5 percent less rye intended to be seeded, indicated food grain acreage totals 7 percent below 1967.

LESS HAY TO MAKE

Farmers indicated they would cut 3 percent less hay this year than in 1967, setting a new record low for the third straight year. The largest acreage decline is indicated in the north central region, source of over half the hay acreage.

SMALLER PLANTING OF POTATOES

All potato crops will total an indicated 1.4 million acres, 5 percent less than in 1967. Although a slight increase is in sight for early summer potatoes, all regions will plant less of the major late summer-fall crop. Sweetpotato indications, 151,000 acres, are identical to the 1967 planting.

TOBACCO DOWN; OILSEEDS AND OTHERS EXPAND

Tobacco acreage for harvest, indicated 8 percent lower at 906,400 acres, is the smallest since 1890. Flue-cured accounts for most of the decrease, although small declines are indicated for other major classes, except southern Maryland tobacco.

In the eighth straight year of expansion, soybean acreage is expected to rise 3 percent, to 41.8 million acres. Prospective cotton plantings are 11.1 million acres, up 17 percent from 1967; flaxseed acreage is up 9 percent to 2.3 million. Peanuts are unchanged at 1.5 million.

Expansion is slated this year for dry peas, 4 percent, dry beans, 12 percent, and sugar beets, 18 percent. Sugar beets will total 1.4 million acres this year, based on reported intentions.

WHEAT CARRYOVER TO INCREASE

Usage of U.S. wheat has lately been proceeding nearly as briskly as forecast by USDA in December.

It now looks as though all but 120 million bushels of the 1.5 billion bushel crop of 1967 will disappear into mills, feed troughs and cargo holds by the end of June.

As a result, the carryover likely will total 545 million bushels, up from 425 million in June 1967.

Back in December, domestic wheat use seemed destined to rise this marketing year, including an increase in wheat feeding. But current estimates place domestic consumption for the 1967-68 season at 655 million bushels, down 4 percent from a year earlier. Slowdowns in the rate of wheat feeding and in the use of wheat for seed have held down the prospects.

It's a different picture for exports. Despite stiffer competition and less import demand on the world market this season, exports are projected to be at last year's high level and to meet the December estimate and USDA's export target of 750 million bushels.

FEEDERS FAVORING CORN OVER WHEAT

Earlier expectations for wheat feeding to top the 92 million bushels fed last season have been sliced. Now, 75 million bushels is the prospective total for the season ending in June.

Wheat feeding in the first half of the current season amounted to only 25 million bushels, compared with 45 million in July-December 1966. Last fall, wheat prices at the farm level remained quite stable while corn prices dropped. So corn became more attractive to feed, and wheat less.

During the current 6-month period, corn and other feed grain prices are expected to undergo a seasonal increase, reflecting increased price support activity and prospects for heavy utilization. Wheat feeding may thus increase somewhat from prior levels this season.

Even so, with a large supply of corn remaining out of loan, and most of it

pretty wet, any narrowing in the price gap between wheat and corn will be limited. Wheat feeding for January-June will thus probably be below the 55 million bushels fed in the same period of 1967.

COUNT SHOWS MORE WEEVILS

More cotton boll weevils hibernated last fall than in 1966 over much of the Cotton Belt.

Fields in southern Mississippi, in the Carolinas' coastal plain, in southern Tennessee and in central Texas averaged more live weevils per acre, according to estimates derived from samplings of hibernation areas.

Perhaps more important than the actual number of weevils going into hibernation, however, are weather conditions through hibernation and at cotton-fruiting time in the spring in deciding how many weevils wake up hungry after their long winter's sleep.

So, a second count is made each spring. So far, this count shows that relatively few weevils in Mississippi, Louisiana and Texas survived the winter.

Counts are made by scientists from USDA's Agricultural Research Service in cooperating States. They examine woods trash (where the weevils go to hibernate), calculating the probable weevil count per acre of nearby fields.

FEWER SWEETPOTATOES ACRES

In most States last year, sweetpotato growers reduced their acreage.

Cool temperatures delayed growth in most areas, but ample rainfall served to boost yields high above 1966 levels and offset reduced acreage.

Total U.S. sweetpotato production in 1967 reached 14 million hundredweight.

In Louisiana and North Carolina production was up by 10 percent. Alabama production was up 7 percent, New Jersey and Georgia up 6 percent, and Texas up 4 percent.

On the other hand, California, Virginia, and Tennessee harvests were off from year-earlier levels.

Although production in 1967 was larger than in 1966, it remained below the 1961-65 average.

Guar can be Grown on Diverted Acres

"Guar" is not a misprint. And neither is "plantago ovata" or "crambe." But they all share something in common. Along with a half-dozen more widely known crops, they may be grown on acreage diverted from feed grain or cotton output this year.

These substitute crops can be planted on acreage diverted voluntarily in excess of the minimum needed for participation in the cotton or feed grain programs. Growers still will receive half of the voluntary diversion payment if they grow any of the alternate crops except sunflower or safflower. There is no payment for these two.

The other qualifying crops are castorbeans, flaxseed, mustard seed, and sesame seed.

Guar is an annual summer row crop best suited for cultivation in the Southwest. It is a nitrogen-fixing legume like alfalfa, but its seeds yield a vegetable gum when processed. The gum can be used in foods, mining, and the manufacture of paper, textiles, and explosives.

Plantago ovata seems best adapted to the Southwest. The product, processed from the plant's thick-husked seeds, is valuable as a stabilizer in foods and is also used in printing, as an ingredient of finishing and setting lotions, and in medicine.

Crambe seed is a source of erucic acid, an industrial commodity which presently must be imported. It's useful as a drying agent, lubricant, and as an ingredient of hydraulic fluids. Test plantings indicate that *crambe* is adaptable as a spring crop in some of the Midwest and Pacific Northwest wheat areas, and possibly as a winter crop in Texas.

Flaxseed, safflower seed, and castorbeans are oil crops with industrial value as drying agents in paints and varnishes. Sunflower and safflower are valuable, too, as edible vegetable oils. Mustard is a popular condiment. Sesame seed is used largely by the baking and confectionery industries.

Sow Farrowings Reported Lower This Season

Hog producers in 10 Corn Belt States said they plan to farrow 3 percent fewer sows than last year in both the March-May and June-August quarters. Their intentions were reported in a March 1 survey by the Statistical Reporting Service.

At 39 million head, the number of hogs and pigs on farms in these States on March 1 was 1 percent larger than a year earlier. The number held for breeding purposes declined 3 percent

from 1967, while others hogs increased 1 percent.

The estimated number of hogs and pigs in both the lowest weight group (under 60 pounds) and the highest, (220 pounds and up), was 2 percent larger than last year. Pigs in weight ranges between 60 and 220 pounds were 1 percent more numerous than a year earlier.

Numbers and farrowing intentions for each Corn Belt State compared with 1967 are shown below.

State	Ohio	Ind.	Ill.	Wis.	Minn.	Iowa	Mo.	S. Dak.	Nebr.	Kans.
Hogs on farms Mar. 1,										
1968.....	97	96	100	98	100	100	105	109	104	106
Sows farrowing in										
1968:										
March-May.....	94	96	95	98	99	95	97	96	104	106
June-August.....	94	95	92	100	104	98	101	88	107	102

WHEN IS SELLING A FARM WORTHWHILE?

Don't Overlook the Hidden Costs

The market value of a farm last year averaged over \$63,000. Farm real estate values have been escalating an average of 6 percent a year for the last 20 years. So if you haven't checked lately, your farm's current market value may seem surprisingly high.

But don't let today's dollar value put stars in your eyes: It's the long-term payoff that counts.

If you've established a likely price for your farm or a parcel of it, make a rough estimate of the smallest income from reinvestment that would make selling worthwhile.

If reinvestment of your own labor and the proceeds of the sale doesn't bring in enough yearly income to (1) at least equal the income you are getting now, and (2) accumulate enough extra money to match any future appreciation in your farm's value, you will lose money by selling.

To translate the long-term cost of selling into dollars and cents, you may have to do some guesstimating. The risks of making a bad estimate can be minimized if you use the most likely figures instead of those you would like to see. Don't underestimate the impact of rising taxes and interest costs; don't overestimate the likely price for your farm—present or future.

The following illustration shows some of the hidden long-range costs to be considered. An actual example, of course, might not work out differently.

Suppose you appraise the market value of your farm at \$50,000, a compromise between what you would like and what buyers are apt to offer.

It costs money to sell property and to reinvest the money in other ventures. The bulk of this cost is the capital gains tax and selling expenses. You estimate this amount at \$4,000. So net proceeds from the sale are \$46,000.

Last year you made, let's say, \$2,500 from renting the place, or a return of 5 percent on your farm's worth.

And, if land values are rising, selling is not worthwhile unless reinvestment brings more than what you'd make by selling later on.

For example, you estimate that your farm's value will increase 7.5 percent

annually over the next 10 years and then would yield \$90,000 after sales expenses. This is \$44,000 more than your net proceeds on today's market.

Unless your new investment after selling provides \$2,500 a year and an extra \$44,000 over 10 years, selling now would not be advantageous.

There are several ways of making the extra income; one would be to invest some money each year with interest. Investing \$3,110 a year at 7.5 percent annually in this example yields \$44,000 by the end of 10 years.

However, the income which is to be invested yearly is over and above the \$2,500 needed, and it is subject to personal income tax of 25 percent. Taxes on the \$3,110 plus a year's interest would amount to \$1,037 in the first year, nearly \$2,000 in the tenth.

All told, you would need to make an investment of \$6,650-\$7,650 a year for 10 years, just to equal your present and potential income from the farm.

This would represent a return of about 15 percent a year on your capital of \$46,000.

Economic Research Service

FUEL'S ESSENTIAL

WHETHER IT'S

OATS OR OIL

Farming has always required a tremendous amount of fuel. A century ago, millions of acres of feed kept the draft power going. Now it's millions of gallons of oil.

To keep just one farm operating in 1965 took an average of 2,750 gallons of fuel. Not all of this was used for farmwork; 20 percent was used right in the farmhouse for heating.

Automobiles, including the family car, accounted for 20 percent and trucks another 10 percent.

Allowing another 10 percent for all the small engines, heaters, and supplemental machinery a farm may have, the rest of the fuel went into tractors. They consumed almost 40 percent of the fuel used on farms in 1965.

**DON'T
OVERFINISH
YOUR CATTLE
JUST FOR
FEED'S SAKE**

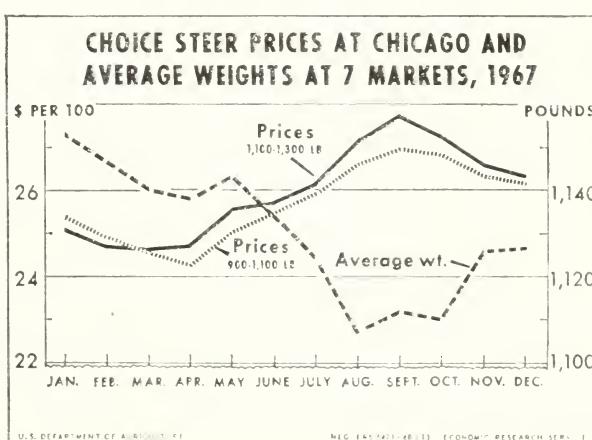
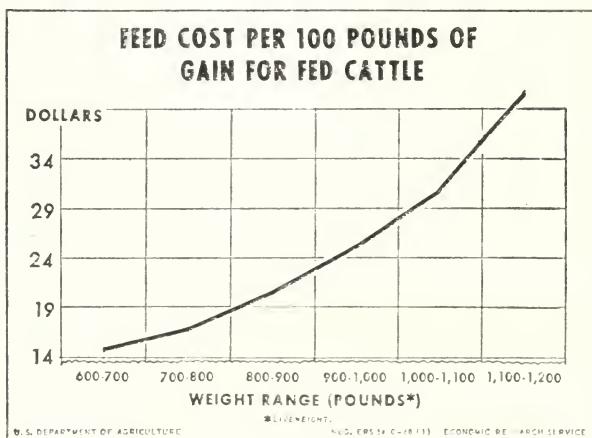
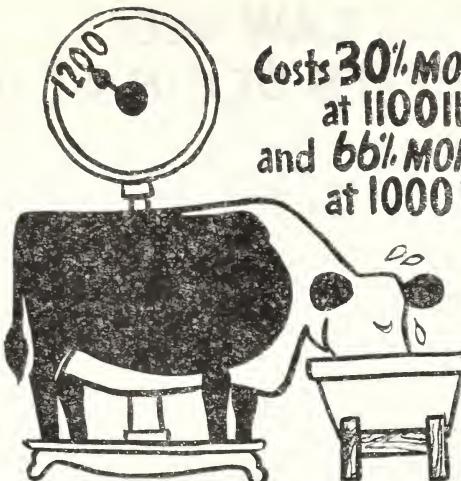
You get more feed for your dollar this year. But this good deal can turn sour unless you parcel the feed carefully.

Generally, feed cost per pound of gain in cattle will triple over a year's feeding period. And when cattle get heavy, feed costs rise at an increasing rate.

A study by the American National Cattlemen's Association tells the story. The feed outlay required to bring an animal from 1,000 to 1,100 pounds is 20 percent higher than the 900 to 1,000-pound cost. And the gain to 1,200 pounds is 30 percent above the cost from 1,000 to 1,100.

Feeding to excessive weights can also be costly by contributing to a top-heavy market situation. Then the whole industry may suffer.

In early 1967, marketings were relatively large. The average weight of choice steers at seven markets was at the year's highest level, and Chicago prices were about \$25 per 100 pounds, with 900 to 1,100-pound steers selling for more than heavier animals. As weights began drifting lower, and marketings declined, prices began picking up. In early fall, with weights near their low for the year prices reached \$27-\$28.



PUBLIC LAW 480 BENEFITS BEGIN AT HOME

The transformation of U.S. food into better health and improved living standards abroad is a major purpose of the Agricultural Trade Development and Assistance Act, known as Public Law 480 or Food for Freedom.

When enacted in 1954, Public Law 480 was intended as a temporary tool for moving surplus U.S. farm products to needy countries. But with changing world conditions, Public Law 480 has evolved into a major instrument in the struggle for freedom from hunger and for economic development.

The food we ship under Public Law 480 these days is not limited to surplus items; it includes all commodities that the Secretary of Agriculture, as provided in the law, judges available for export. And, under the most recent amendment, U.S. reserve acreage can be returned to production if needed for food assistance programs.

Also, Public Law 480 is no longer aid without strings. To qualify, countries must give high priority to improvements in their own production, storage, and distribution of agricultural goods.

How successfully has Public Law 480 done its job?

A broad, it has meant food to fore-stall famine. It helped meet the nutritional needs for millions of people and has meant a lunch—often the only good meal of the day—for millions of needy school children.

At home, Public Law 480 has been a valuable outlet for farm products, and more importantly, created many new cash customers for these products.

Public Law 480 shipments have represented more than one-fourth of our farm exports. Needy countries during the past 12 years have received more than \$15 billion in U.S. farm products.

This aid has been helping recipients to buy the time needed to develop their own agriculture and industry. As a result of new development, many countries have increased their dollar buying of our farm products, decreasing their dependence on our food aid. Examples can be found around the world:

Japan, once a major aid recipient, bought nearly \$1 billion of our farm products in 1966. From 1954 to 1966, our commercial sales to Japan totaled almost \$6 billion.

Italy's dollar purchases increased eightfold from 1955 to 1966, to nearly \$275 million.

Libya. New oil fields are expanding the purchasing power of the people. Food aid has tapered off while dollar sales to Libya have expanded greatly since the middle 1950's.

Spain. Dollar buying of U.S. farm products increased from 10 million in 1957 to \$192 million in 1966.

Taiwan. Dollar buying has risen from less than \$1 million in 1957 to \$59 million in 1967.

South Korea. Economic development in South Korea is moving forward rapidly. Last year, for instance, the gross national product increased nearly 10 percent. While still receiving substantial food aid, Korea purchased \$150 million worth of U.S. agricultural products in the 1955-66 period.

The Spanish Translate Soybeans Into More Meat

Meet a good friend of the U.S. soybean grower. Spain imported 340,000 metric tons of soybeans in 1965, took 640,000 tons in 1966, and slightly over 810,000 in 1967. Almost all came from the United States. Since Spain is encouraging its own farmers to produce more livestock and poultry, substantial soybean orders from this good customer should continue for the foreseeable future. During crop year 1966-67 Spain ranked fourth, behind Japan, Netherlands, and Germany, for imports of U.S. soybeans.

USDA SETS MILK PRICE SUPPORT HIGHER

The Secretary of Agriculture set price support for manufacturing milk at 90 percent of parity for the marketing year that began April 1. This action raises the support level from \$4 to \$4.28 per hundredweight.

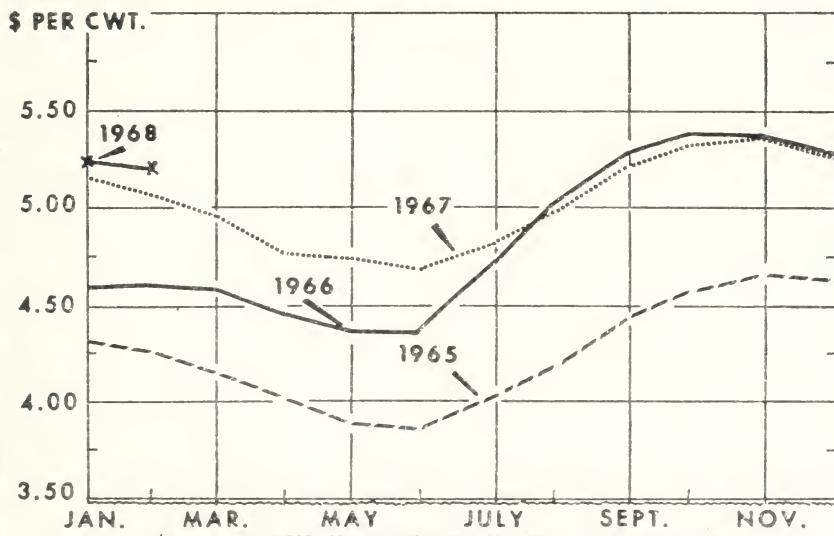
He also announced that the present class I differentials over the price of manufacturing milk, used in computing producer prices for fluid milk in 67 Federal order markets, will be continued through April 1969. Equivalent actions will be taken in other markets where class I prices are established by other formulas. The decision to continue the wider differentials for another year was based on a recent hearing at which producer groups urged such action.

The actions were taken to insure adequate supplies of milk for the current season. Milk production in February was 3 percent below year-earlier levels on a daily basis, following reduced milk production levels in prior months.

Milk production dropped from the record level of 127 billion pounds in 1964 to 119 billion pounds in 1967. Price support increases in 1966 and higher minimum prices for fluid milk in the Federal market order areas helped to slow the decline, but did not reverse it.

Commodity Credit Corporation's support buying prices for nonfat dry milk and cheese were raised enough to reflect the increase in support level for manufacturing milk. The buying prices for butter were not increased because of the unfavorable market demand for butter. It is expected that CCC purchases of butter will support the U.S. average price of butterfat in farm-separated cream at approximately 66 cents a pound—the 1967 average price.

MILK PRICES*

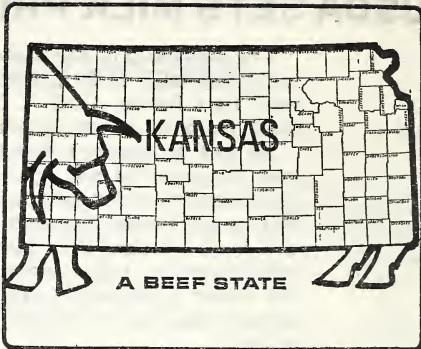
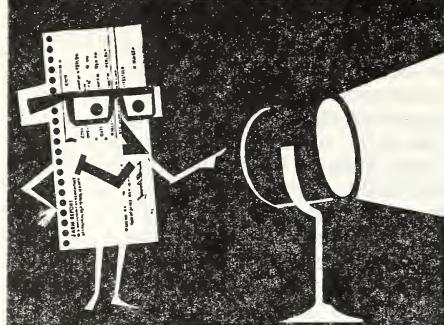


*U.S. AVERAGE RECEIVED BY FARMERS FOR DELIVERY TO PLANTS AND DEALERS.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5499-68 (2) ECONOMIC RESEARCH SERVICE

in the Sam Stat SPOTLIGHT



"The movement has certainly come west. There weren't any feedlots to speak of here 10 years ago; now they are everywhere."

This comment on Kansas' changing cattle industry comes from the manager of the State's biggest livestock auction.

As he says, feedlots have indeed sprung up in Kansas, with numbers of cattle on feed as of January 1 leaping nearly 40 percent over the level of only 5 years ago.

His remarks also apply to other Southern Plains and Southwestern States because of a general shift that away in the national cattle trail in recent years. All the gain in the 1967 calf crop, for example, was west of the Mississippi.

And, attesting to the aggressiveness of Kansas cow-calf operators, their 1967 calf crop turned out 5 percent above the previous year to lead all States in the rate of increase.

"On January 1, Kansas had some 5½ million head of cattle. Over half a million were in feedlots," says Jasper E. Pallesen, chief statistician for SRS in Kansas.

Although Kansas cattle numbers have declined slightly in the past year, the State still ranks fourth nationally behind Texas, Iowa, and Nebraska. And wheat-minded Kansans are also definitely interested in their cattle. Livestock and livestock products last year amounted to about 55 percent of the State's cash receipts from farming.

Pallesen pinpoints the reasons why Kansas is a comer in cattle: "We have 20 million acres of pasture for summer grazing. We also produce a large amount of sorghum silage and forage,

and alfalfa hay, so we can winter over our large cattle inventory."

Cattlemen in eastern Kansas also credit the famous Bluestem pastures with a measure of the industry's success. Other advantages include a relatively mild climate for livestock and a central location with good transportation facilities.

Pallesen provides additional insight into the situation: "In the western part of the State, we have had a big increase in irrigated acreage, so we're growing more sorghum grain and corn which provide plenty of concentrated feeds for use by our feedyards."

Customers for Kansas beef are found coast to coast. A meatpacker in western Kansas, slaughtering about 1,600 cattle a week, finds a ready market for carcasses cut as hinds and fores. His source of supply? "Primarily yearling type stock," he answers, "Choice grade, from our Kansas feedlots."

Kansas beef producers are obviously responding to the growing national market for beef. Rare, medium, or well done, the U.S. appetite for beef has skyrocketed in the past decade. The average American put away 106 pounds of beef last year; 10 years before, per capita consumption was only 85 pounds.

Pallesen's crop and livestock reporting office in Topeka, cooperating with the State Board of Agriculture, gathers and publishes the farming statistics for Kansas. Describing some of the reasons for this work, he says, "A lot of people in the cattle business—including the folks that transport the cattle, feed them, and slaughter them—are interested in having the best possible information on cattle. We're here to provide it for them."



SAM STAT SAYS

"Check My Data"

A brief roundup

■ The December-February 1968 pig crop for the 10 Corn Belt States totaled almost 13 million head, slightly below a year earlier. ■ Production of winter potatoes is estimated at almost 4 million hundredweight, 20 percent below 1967 and 4 percent below average. ■ The number of early lambs born before March 1, 1968, in the 10 major early lamb producing States was virtually the same as in 1967. The early lamb crop in Kansas, Texas, and California totaled just over 2 million head, 2 percent above last year's total. ■ Egg production last year reached a new record high, over 70 million. That's 6 percent above the previous year. The average layer produced 221 eggs, up 1 percent from a year earlier. ■ Poult production was slightly under 9 million during February, down 36 percent from a year earlier. Over 14 million turkey poult were hatched during the first 2 months of 1968, down 38 percent from a year earlier. And there were 24 percent fewer turkey eggs in incubators.

SEED GROWERS CUT BACK ON VEGETABLES, INCREASE CUT OF RYEGRASS

Producers are planning to harvest 10 percent less acreage for the production of vegetable seeds this year than in 1967, as indicated by the SRS intentions report. Actual harvested acreage may vary because of planting changes or unusual growing conditions.

The report includes data on 43 kinds of vegetable seeds, to be grown on an

intended 166,895 acres this year. Acreage for individual kinds varies from less than 10 for leeks and salsify to nearly 70,000 acres for wrinkled peas.

By major groups, prospective production of seed beans is indicated 24 percent below last year, seed peas down 9 percent, and all sweet and nonsweet corn up 24 percent. Total output of all other vegetable seeds is expected to be 1 percent below 1967.

Ryegrass seed acreage which growers intend to harvest this year totals 136,000 acres. This compares with 132,000 acres

In This Issue

	Page
Poultry Contracts	2
SRS Scope	5
Intentions	7
Wheat Windup	8
Pig Crop	9
Milk Price Up	13
Kansas	14

All Articles May Be

Reprinted Without Permission

Editor: Ben Blankenship

harvested last year and the 1962-66 average of 146,400. The final size of the harvest will depend on weather, land use for pasture and other factors.

All of the ryegrass growers surveyed are in Oregon. Fields came through a mild winter in good to excellent condition. Spring weather has been favorable, too, and growth was ahead of normal in late March.

The average yield per acre last year was 1,080 pounds. Production totaled 142,560 pounds, 13 percent below average.

Statistical Reporting Service

The Agricultural Situation is sent free to crop, livestock, and price reporters in connection with their reporting work.

The Agricultural Situation is a monthly publication of the Statistical Reporting Service, United States Department of Agriculture, Washington, D.C. 20250. The printing of this publication has been approved by the Bureau of the Budget (March 12, 1964). Single copy 5 cents, subscription price 50 cents a year, foreign \$1, payable in check or money order to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

UNITED STATES
DEPARTMENT OF AGRICULTURE

STATISTICAL REPORTING SERVICE

WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

U.S. DEPARTMENT OF AGRICULTURE
POSTAGE AND FEES PAID